

Message Text

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SUBJECT: VISIT BY UK MINISTER OF STATE, DAVID ENNALS

1. SUMMARY: VISIT BY UK MINISTER OF STATE, DAVID ENNALS, SERVED (A) UK DESIRE TO EXPLAIN PRIME MINISTER WILSON'S PROPOSALS ON STABILIZATION OF RAW MATERIALS PRICES AND EXPORT EARNINGS OF LDC PRODUCERS, AND (B) BRAZILIAN AIM OF ESTABLISHING BILATERAL CONSULTATIVE MACHINERY WITH A KEY EC TRADING PARTNER. OTHER TOPICS DISCUSSED INCLUDE PORTUGAL, AGREEMENT ON VOLUNTARY RESTRAINT OF COTTON TEXTILE EXPORTS TO UK, LOME CONVENTION, UNGA SEVENTH SPECIAL SESSION, AND OIL. FOR SPECIFIC REASONS, ENNALS DID NOT RAISE HUMAN RIGHTS

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AND NUCLEAR ISSUES. OVERALL, ENNALS' VISIT REFLECTS HMG'S

HIGHER PRIORITY FOR BRAZIL AND UK/BRAZILIAN ECONOMIC INTERESTS, AS WELL AS THE GOB'S PRIORITY OF HEADING OFF PROTECTIONIST MOVES IN THE EC. END SUMMARY.

2. ACCORDING TO UK EMBASSY ECONOFF, LAST WEEK'S VISIT BY MINISTER OF STATE FOR FOREIGN AFFAIRS DAVID ENNALS ACCOMPLISHED ITS TWO MAIN PURPOSES:

A) ENNALS EXPLAINED PRIME MINISTER WILSON'S PROPOSAL TO THE COMMONWEALTH HEADS OF GOVERNMENT IN KINGSTON, JAMAICA FOR STABILIZING RAW MATERIALS PRICES AND THE EXPORT EARNINGS OF LDC RAW MATERIALS EXPORTERS. FONMIN SILVEIRA RESPONDED THAT THE GOB IS WILLING TO CONSIDER ANY INTERESTING PROPOSAL IN THIS AREA, AND WILL COMMENT FURTHER AFTER STUDYING IT. ENNALS NOTED THAT HE HOPES TO ADVANCE THE PROPOSAL AT THE UNGA SEVENTH SPECIAL SESSION.

B) THE GOB ACHIEVED AN INFORMAL UNDERSTANDING ON THE TEXT OF A MEMORANDUM OF UNDERSTANDING DEALING WITH THE ESTABLISHMENT OF NEW CONSULTATIVE MECHANISMS FOR UNSPECIFIED ECONOMIC AND POLITICAL TOPICS. THE UNDERSTANDING ENVISIONS CONSULTATIONS BY "APPROPRIATE BODIES" ON IMPORTANT BILATERAL ISSUES. FOR INSTANCE, TRADE MINISTRY DELEGATIONS COULD DISCUSS TRADE MATTERS. IN ADDITION, FOR ISSUES WHICH DESERVE DETAILED TREATMENT, SPECIFIC WORKING GROUPS WOULD BE ESTABLISHED. HMG PREFERRED THAT THE CONSULTATIVE MECHANISM INCLUDE ONLY ECONOMIC AFFAIRS, BUT THE GOB INSISTED ON A WIDER-RANGING MANDATE TO ENCOMPASS POLITICAL TOPICS, E.G., PORTUGAL AND PORTUGUESE AFRICA. THE MEMORANDUM WILL BE SIGNED IN LATE OCTOBER WHEN FONMIN SILVEIRA VISITS LONDON. ENNALS SUGGESTED SEVEN PRIORITY AREAS FOR COOPERATION BETWEEN THE UK AND BRAZIL: RAILWAYS, STEEL PLANT, MARINE EQUIPMENT AND PORT CONSTRUCTION, DEVELOPMENT OF NATURAL RESOURCES INCLUDING AGRICULTURE, ELECTRIC POWER GENERATION AND TRANSMISSION (UK ECONOFF INTERPRETS THIS TO MEAN THE ESTABLISHMENT OF A UK/BRAZILIAN JOINT VENTURE TO MANUFACTURE ELECTRICITY TRANSMISSION EQUIPMENT), DEVELOPMENT OF THE CAPITAL GOODS INDUSTRY IN BRAZIL, AND DEFENSE EQUIPMENT AND DEFENSE INDUSTRY. IN ALL THESE AREAS, THE UK IS LOOKING TOWARD ESTABLISHING JOINT VENTURES WITH BRAZILIAN FIRMS. UK ECONOFF GAVE IMPRESSION, HOWEVER, THAT THE LIST WAS THOUGHT UP HASTILY AND THAT SPECIFIC IDEAS IN SOME OF THESE AREAS DO NOT YET EXIST. WITH REGARD TO THE DEFENSE LIMITED OFFICIAL USE

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AREA, HMG HAS IN MIND OPERATIONS LIKE COBRA -- A JOINT VENTURE BETWEEN FERRANTI (UK) AND DIGIBRAS -- WHICH PRODUCES SMALL COMPUTERS FOR MILITARY APPLICATIONS. HMG WOULD LIKE TO SEE SIMILAR ARRANGEMENTS IN MILITARY COMMUNICATIONS EQUIPMENT AND AIRPLANE ENGINES.

3. UK ECONOFF INDICATED THAT THE UK HAS NO BILATERAL POLITICAL PROBLEMS WITH BRAZIL (HMG DID NOT CONSIDER IT APPROPRIATE

FOR EITHER SIDE TO RAISE INTERNAL QUESTIONS, E.G., HUMAN RIGHTS). THE ONLY POLITICAL TOPIC RAISED WAS PROTUGAL. SILVEIRA ASKED THAT THE UK AND THE EC NOT DO ANYTHING TO ISOLATE PROTUGAL DURING THE TRANSITIONAL PERIOD, AND THUS DRIVE IT INTO AN ALGERIAN-LIKE STANCE.

4. ACCORDING TO UK ECONOFF, OTHER TOPICS RAISED INCLUDED:

-- TEXTILES - IN EARLIER TALKS, THE BOB AGREED TO RESTRAIN VOLUNTARILY ITS COTTON TEXTILE EXPORTS TO THE UK. THE TEXTILE NEGOTIATIONS WILL CONTINUE AS PART OF A LONG-TERM PROCESS.

-- LOME CONVENTION - SILVEIRA REITERATED CONCERN ABOUT BRAZIL'S EXCLUSION (AND THAT OF OTHER LA COUNTRIES) FROM THE LOME CONVENTION. ENNALS ASSURED SILVEIRA THAT THE 46 LDCS IN THE LOME GROUP ARE SMALL AND THAT BRAZIL'S TRADING INTERESTS WITH THE EC WOULD BE LITTLE AFFECTED. TO ILLUSTRATE THE POINT, ENNALS OBSERVED THAT THE EC PROBABLY HAS MORE INVESTMENT IN BRAZIL THAN IN ALL THE 46 LOME LDCS. UK ECONOFF NOTED THAT HMG BELIEVES THAT THE GOB'S CONCERN IS PRIMARILY POLITICAL (I.E., EXCLUSION) NOT ECONOMIC.

-- UNGA SEVENTH SPECIAL SESSION - WHILE AGREEING WITH ENNALS' CONCERN THAT THE UNGA SEVENTH SESSION NOT BE A "DIALOGUE OF THE DEAF" AND THAT REAL PROGRESS SHOULD BE MADE, SILVEIRA MADE NO PROMISES ABOUT BRAZIL'S ROLE. UK ECONOFF EXPECTS THAT THE NEW CONSULTATIVE MACHINERY MAY STIMULATE SOME CONSULTATIONS ABOUT THE SEVENTH SPECIAL SESSION, PARTICULARLY ON THE WILSON PROPOSAL.

-- OIL - BOTH SIDES DISCUSSED THEIR RESPECTIVE PROSPECTS FOR ACHIEVING OIL SELF-SUFFICIENCY, AND ENNALS OFFERED THAT THE UK COULD ASSIST BRAZIL IN THIS AREA.

5. ENNALS DID NOT RAISE THE NUCLEAR ISSUE BECAUSE, ACCORDING TO UK ECONOFF, UK DOES NOT BELIEVE THAT IT CAN OFFER ANYTHING LIMITED OFFICIAL USE

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ATTRACTIVE TO THE GOB WITHIN THE CONFINES OF THE NON-PROLIFERATION TREATY.

6. IN ADDITION TO MEETING WITH FONMIN SILVEIRA, ENNALS ALSO SAW PLANNING MINISTER VELLOSO, INDUSTRY AND TRADE MINISTER SEVERO GOMES, AND MINES AND ENERGY MINISTER UEKI, (FINANCE MINISTER SIMONSEN WAS OUT OF THE COUNTRY). WITH UEKI, ENNALS DISCUSSED POSSIBILITIES FOR UK FIRMS IN JOINT VENTURES TO DEVELOP NATURAL RESOURCES.

7. ENNALS PRESIDED OVER A LA CHIEFS OF MISSION CONFERENCE (UNANNOUNCED FOR SECURITY AND POLITICAL REASONS) IN RIO DE JANEIRO EARLIER THIS WEEK AND WAS EXPECTED TO LEAVE FOR CARACAS IN MIDWEEK.

8. COMMENT: THE ENNALS VISIT SIGNALLED THE HIGHER PRIORITY WHICH HMG ATTACHES TO BRAZIL OF RAPIDLY EXPANDING ECONOMIC RELATIONSHIPS. FOR INSTANCE, UK/BRAZIL TRADE HAS GROWN BY AN AVERAGE OF 30 PERCENT PER YEAR IN RECENT YEARS, TRIPLING IN THE LAST FIVE YEARS. BRAZIL IS LIKEWISE ANXIOUS TO IMPROVE RELATIONSHIPS IN EUROPE SINCE THE EC IS BRAZIL'S MOST RAPIDLY EXPANDING EXPORT MARKET. MOREOVER, CONSULTATIVE MACHINERY WITH THE UK AND OTHER EC COUNTRIES MIGHT STEM WHAT BRAZIL NERVOUSLY FORESEES AS FURTHER PROTECTIONIST ACTIONS IN THE EC, NOW IN TEXTILES AND PERHAPS LATER IN OTHER PRODUCTS. EC OFFICIALS HAVE ALSO BEGUN TO INQUIRE ABOUT BRAZIL'S SYSTEM OF AN EXPECTED WAVE OF US COUNTERVAILING DUTY COMPLAINTS BASED ON THESE INCENTIVES. GOV OFFICIALS WANT AT ALL COSTS TO AVOID SIMILAR KINDS OF ACTIONS IN THE EC. THE OTHER MAJOR BRAZILIAN INTEREST IS ATTRACTING DIRECT INVESTMENT FROM EC FIRMS AND BORROWING (OFFICIAL AND PRIVATE) IN EC CAPITAL MARKETS. FINANCE MINISTER SIMONSEN'S PARTICIPATION IN THIS WEEK'S SALZBURG CONFERENCE HIGHLIGHTS THIS INTEREST. CRIMMINS

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